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PIERCY BOWLER TAYLOR & KERN

Certified Public Accountants • Business Advisors

Basic Financial Statements

University Medical Center of Southern Nevada

Years Ended June 30, 2009 and 2008

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University Medical Center of Southern Nevada

Basic Financial Statements

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Independent Auditors' Report on Financial Statements And Required Supplementary Information

To the Board of Trustees
University Medical Center of Southern Nevada
Las Vegas, Nevada

We have audited the accompanying basic financial statements of the University Medical Center of Southern Nevada (the Hospital), a component unit of Clark County, Nevada, as of and for the years ended June 30, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Hospital as of June 30, 2009 and 2008, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards,* we have also issued our report dated December 7, 2009, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The Management's Discussion and Analysis on pages 2 through 9 and the schedule of funding progress, postemployment benefit plans on pages 44 and 45 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Piercy Bowler Taylor & Kern
December 7, 2009

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of University Medical Center of Southern Nevada (the Hospital) presents background information and our analysis of the Hospital's financial performance during the fiscal years ended June 30, 2009 and 2008, which management believes is relevant for an understanding of our financial condition and results of operations. This discussion should be read in conjunction with the financial statements and the related notes included in this report.

FINANCIAL HIGHLIGHTS

- Overall activity at the Hospital as measured by patient days adjusted for outpatient services were 223,467 in 2009 or a decrease of 5.2% from 235,754 in 2008. Adjusted patient days decreased by 2.8% in 2008 from 242,655 in 2007. The reduction in 2009 was due primarily to a decrease in inpatient patient days of 9.3%

- The Hospital experienced a loss from operations of $82.5 million primarily due to continued high levels of care for uninsured and underinsured patients and an increase in operating expenses. Similarly, the Hospital experienced an operating loss of $55.0 million in 2008, a decrease from the $56.3 million loss for 2007.

- During fiscal 2009, the Hospital's total operating revenues decreased by 3.6% to $510 million mainly due to decrease in patient volume in areas of inpatient routine, ancillary service as well as quick care service, offset by charge rate increases since January 2009. Other factors included decreased ancillary revenue, primarily in Cat-Scan, Pharmacy, and Observation, decreased Medicaid inpatient reimbursement rates since September 2008, decreased reimbursement rates in managed care contracts, offset by an improved reimbursement rate in Medicare. During fiscal 2008, the Hospital's total operating revenues increased by 5.3% to $529 million due to a small increase in the size of the Burn Care Unit, increased ancillary revenue, primarily in Pharmacy, CT Scan and Respiratory Therapy, due partially to volume and partially to the rate increase in January of 2007. Other factors included a small increase in insured patients, a small rate increase in Medicare, Medicaid, and managed care contracts and an increase in Clark County Social Services accepted claims of $7.6 million.

- Operating expenses including other post-employment benefits (OPEB) increased by 1.1% to $592.2 million in fiscal 2009 as compared to fiscal 2008. Operating expenses increased by 4.5% to $584.0 million in fiscal 2008 as compared to fiscal 2007. Employee benefits increased by 10.0%, but were offset by a 3.1% decrease in salaries. Other areas of increase were supplies (3.3%), purchased services (4.6%), professional fees (4.2%), and rental/leases (8.3%). These increases in fiscal 2009 were partially offset by decreases in depreciation (1.8%), utilities (4.4%) and other expense (6.0%).

- During fiscal 2009 and 2008, the Hospital invested $5.1 million and $4.3 million, respectively, in the following capital acquisitions:
    - Nursecall System

- Universal Badging System
- Aquariusnet Software
- Sani-Pak Onsite Medical Waste System
- Ultrasound Unit
- C-Arm radiology equipment
- Elevator modernization
- Patient beds, gurneys, digital recording systems, ventilators, and other patient related equipment

- The Northeast Tower Phase I was completed in 2007. Phases II-IV are in the process of completion. The funding for the Northeast Tower project came from operations, grants, donations and funds reserved for capital acquisitions.

- The Hospital also invested $10.7 million and $4.1 million in 2009 and 2008, respectively, in construction of the northeast tower project. Phase I was technically complete in 2007, Phases II-IV are scheduled to be complete by the end of Fiscal 2010.

REQUIRED FINANCIAL STATEMENTS

The basic financial statements report information about the Hospital using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about the Hospital's activities. The balance sheets include all of the Hospital's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Hospital creditors (liabilities). They also provide the basis for computing rate of return, evaluating the capital structure of the Hospital, and assessing the liquidity and financial flexibility of the Hospital. All revenues and expenses are accounted for in the statements of revenues, expenses, and changes in net assets. These statements measure the Hospital's operations and can be used to determine whether the Hospital has been able to recover all of its costs through its patient service revenue and other revenue sources. The statements of cash flows provide information about the Hospital's cash flows from operating, investing, and financing activities and provide answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

FINANCIAL ANALYSIS OF THE HOSPITAL

The balance sheets and the statements of revenues, expenses, and changes in net assets report information about the Hospital's resources, obligations and activities. These two statements report the net assets of the Hospital and changes therein. Increases or decreases in the Hospital's net assets are one indicator of whether its financial health is improving or deteriorating; however, other nonfinancial factors such as changes in economic conditions, population growth (including uninsured and underinsured), and new or changed government legislation should also be considered.

Net Assets

A summary of the Hospital's balance sheets for the years ended June 30, 2009, 2008 and 2007 is presented in Table 1 below:

Table 1
Condensed Statements of Net Assets
(In Thousands)

	At June 30		
	2009	**2008**	**2007**
Current assets	$ 188,393	$ 182,440	$ 185,501
Restricted and other assets	38,441	46,968	37,746
Capital assets	154,419	155,217	161,337
Total assets	$ 381,253	$ 384,625	$ 384,584
Current liabilities	$ 160,179	$ 134,334	$ 128,311
Long-term debt outstanding (a)	86,959	94,037	92,147
Other liabilities (b)	32,673	28,113	24,344
Total liabilities	279,811	256,484	244,802
Invested in capital assets, net of related debt	79,393	86,741	79,767
Restricted	7,934	6,445	3,867
Unrestricted	14,114	34,955	56,147
Total net assets	101,442	128,142	139,782
Total liabilities and net assets	$ 381,253	$ 384,625	$ 384,584

(a) Long-term debt excludes current portions of $7,289, $5,273 and $5,254, respectively.

(b) Other liabilities include the long-term portion of due to related party, and self-insured liability.

In fiscal 2009, net assets decreased $26.7 million to $101.4 million, down from $128.1 million in fiscal 2008, primarily due to the operating loss offset by contributions from Clark County. In fiscal year 2008, net assets decreased $11.6 million to $128.1 million. This decrease in net assets is also primarily due to the operating loss offset by contributions from Clark County.

Summary of Revenues, Expenses, and Changes in Net Assets

The following table presents a summary of the Hospital's historical revenues and expenses for the years ended June 30, 2009, 2008 and 2007.

Table 2
Condensed Statements of Revenues, Expenses, and Changes in Net Assets
(In Thousands)

	Year Ended June 30 2009	2008	2007
Net patient revenues	$ 482,020	$ 501,855	$ 479,697
Other operating revenues	27,754	27,161	22,919
Total operating revenues	509,774	529,016	502,616
Operating expenses	578,496	569,966	546,070
Depreciation and amortization	13,791	14,050	12,832
Total operating expenses	592,287	584,016	558,902
Operating loss	(82,513)	(55,000)	(56,286)
Nonoperating revenues, net	55,814	43,359	64,491
Change in net assets	(26,699)	(11,641)	8,205
Total net assets, beginning of year	128,141	139,782	131,577
Total net assets, end of year	$ 101,442	$ 128,141	$ 139,782

During fiscal 2009, 2008 and 2007, the Hospital derived approximately 90.1%, 92.4%, and 88.0%, respectively, of its total revenues from operating revenues. Operating revenues include, among other items, revenues from the Medicare and Medicaid programs, the Clark County Social Services program, patients, or their third-party carriers who pay for their care in the Hospital's facilities, and grant revenue.

Table 3 presents the relative percentages of gross charges billed for patient services by payor for the years ended June 30, 2009, 2008 and 2007.

Table 3
Payor Mix by Percentage

	Year Ended June 30		
	2009	**2008**	**2007**
Medicare	19 %	20 %	19 %
Medicaid, Clark County, self-pay	51	48	47
Commercial, HMO, PPO	25	26	27
Other	6	6	6
Total patient revenue	100 %	100 %	100 %

During fiscal 2009, 2008 and 2007, the Hospital derived less than 1% of its total revenues from interest income on its capital acquisition, debt service and malpractice funds. The Hospital's cash is deposited with the Clark County Treasurer and funds in the custody of the Treasurer are invested as a pool. Other nonoperating revenues in fiscal 2009 include $61 million in contributions from Clark County used primarily to defray operating, capital and debt service costs.

OPERATING AND FINANCIAL PERFORMANCE

In fiscal 2009, overall activity at the Hospital as measured by patient days adjusted for outpatient services decreased by 5.2% to 223,467 compared to 235,754 in fiscal 2008. This decrease was due primarily to a decrease in patient days. In fiscal 2008, overall activity decreased by 2.8% due to a decrease in patient days and length of stay.

In fiscal 2009, the Hospital had patient days and discharges of 150,456 and 27,439, respectively. This is a decrease of 9.3% and 9.4%, respectively, as compared to fiscal 2008. The decrease in patient days is due to a decrease in patient admissions from 29,984 to 27,090. In fiscal 2008, the Hospital had patient days and discharges of 165,880 and 30,286, respectively. This is a decrease of 6.3% and 1.2%, respectively, as compared to fiscal 2007. Outpatient and emergency visits were 652,619 or 5.1% below 2008 levels of 687,922. The decrease in outpatient volume occurred primarily due to a decrease in quick care registrations of 8.1% and other clinic registrations of 9.1%.

In fiscal 2009, net patient service revenue decreased $19.8 million due to lower volumes and contractual decreases in reimbursement rates, offset by charge rate increases of approximately 4% since January 2009. Compared to fiscal year 2007, net patient service revenue in 2008 increased $22.2 million due to the rate increase in January of 2007. This increase over fiscal year 2007 was offset by a slight decline in the State Medicaid plan's upper payment limit reimbursement.

Excluded from net patient service revenue are charges foregone for uncompensated and charity care patient services. Based on established rates, gross charges of $386.3 million were foregone during fiscal 2009, a 15.1% increase over fiscal 2008 partially due to an increase in bad debt write-off and provision for uncollectable accounts. In fiscal year 2008, gross charges of $335.6 million were foregone, a 9.7% increase over fiscal 2007.

In fiscal 2009, total operating expenses increased by $8.2 million or 1.4%. The increase in operating expenses was due to an increase in supplies, purchased service, equipment rentals, and professional fees. In fiscal 2008, operating expenses increased by $25.1 million or 4.5%.

In fiscal 2009, employee compensation and benefits increased $1.0 million or 0.3% due primarily to increases in other post-employment benefits (OPEB) and cost of living and merit increases, which were offset by decrease in the number of FTE (full-time equivalent) and a cut back on overtime usage. The number of paid FTE decreased by 3.0% to 3,778 in 2009 from 3,895 in 2008. A cost of living increase of 3.0% was granted in July 2008. In fiscal 2008, employee compensation and benefits increased $27.9 million or 9.1%.

In fiscal 2009, the cost of supplies increased by 3.3% due primarily to an increase in the price of supplies in Surgery, Central Supply, and Pharmacy. In fiscal 2008, the cost of supplies decreased by 5.1% due primarily to a change in inventory valuation in Surgery, Cath Lab and Blood Bank.

Professional fees for contracted physician services to provide coverage for emergency room and trauma services, in addition to providing coverage for indigent patients, increased $1.6 million or 4.2% during fiscal 2009. This increase is due primarily to the Hospitalist and Transplant programs offset by lower contract rates. In fiscal 2008, professional fees increased by 11.9%.

Purchased service expenses increased by $2.5 million or 4.6% in fiscal 2009 due primarily to increases in software support and maintenance ($1.7 million), advertising ($900,000), and storage fees ($700,000); these increases were offset by savings in management fees ($800,000), and collection agency fees ($800,000). Purchased service expenses increased 5.6% in fiscal 2008, primarily due to an increase in the contract with the School of Medicine ($2.7 million), increased collection fees ($1.7 million) and dialysis fees ($500,000).

Other expense decreased $700,000 or 6.0% in fiscal 2009 due primarily to a decrease in Clark County overhead, as well as cost saving on license fees, taxes and education and training fees. These savings were offset by an increase in the cost of self-funded professional liability insurance due to an increase in reserves of $1.2 million required by the 2009 actuary report. In 2008 other expense decreased 10.0% primarily due to a change in the overhead charged by Clark County of $1.7 million.

Non-operating revenue consists of rental income, interest income, and contributions from Clark County. The County contributed $61 million to the Hospital in fiscal 2009 to defray operating, capital and debt service costs. During fiscal 2008, Clark County contributed $44.8 million to the Hospital, which was used primarily to defray operating, capital and debt service costs.

Net assets decreased $26.8 million to $101.4 million in fiscal 2009 primarily due to decreases in operating revenue and increases in operating costs and expenses offset by contributions from Clark County. In fiscal 2008, net assets decreased $11.6 million to $128.1 million. The decrease in net assets in 2008 was primarily due to an increase in operating costs and expenses offset by the contributions from Clark County.

The focus of management in the near term is to develop a multi-year plan that will emphasize revenue generation, cost control, fiscal discipline, capital requirements, and financing in support of net asset stability.

CAPITAL ASSETS

During fiscal 2009 and 2008, the Hospital invested $5.1 million and $7.9 million, respectively, in a broad range of capital assets included in Table 4 below.

Table 4
Capital Assets
(In Thousands)

	At June 30		
	2009	**2008**	**2007**
Land	$ 10,221	$ 10,573	$ 10,573
Land improvements	4,676	5,650	5,650
Buildings and building improvements	161,921	166,547	165,657
Equipment	88,082	98,867	95,161
Furnitures and fixtures	1,096	1,089	975
Subtotal	265,996	282,726	278,016
Less accumulated depreciation	(130,188)	(136,131)	(122,081)
Construction in progress	18,610	8,622	5,403
Property, plant, and equipment, net	$ 154,418	$ 155,217	$ 161,338

Gross capital assets decreased in 2009 primarily due to the physical inventory write-off of retired, fully depreciated assets.

Gross capital assets increased in 2008 primarily due to the acquisition of equipment, furniture and fixtures.

In Table 5, the Hospital's fiscal year 2010 capital budget includes up to $13.3 million for capital projects of which $3.0 million is for the completion of construction on the northeast tower. These projects will be financed from operations, grants, donations, capital acquisition funds, and bonds.

Table 5
Fiscal Year 2010 Capital Budget
(In Millions)

Northeast Tower construction	$	3.0
Replacement equipment		1.0
Cath Lab remodel		5.3
Operation equipment fund		4.0
Total	$	13.3

LONG-TERM DEBT

At June 30, 2009 and 2008, the Hospital had $94.2 million and $99.3 million, respectively, in long-term debt, including the current portion thereof. This represented a decrease of $5.1 million and an increase of $1.9 million, respectively, from the outstanding balances at June 30, 2008 and 2007, which was the amount of principal payments on outstanding debt for fiscal 2009 and 2008, net of the new debt issue in fiscal 2009 to fully refund the 2007 medium term bonds. Total outstanding debt represents 33.9% and 40.2% of the Hospital's total liabilities as of June 30, 2009 and 2008, respectively.

CONTACTING THE HOSPITAL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Hospital's finances and to demonstrate the Hospital's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Finance Department, University Medical Center of Southern Nevada, 1800 West Charleston Blvd., Las Vegas, Nevada 89102.

University Medical Center of Southern Nevada
A Component Unit of Clark County, Nevada

Balance Sheets

	June 30	
	2009	**2008**
Assets		
Current assets:		
Cash and cash equivalents	**$ 18,372,481**	$ 7,186,871
Assets limited as to use, current portion	**10,792,256**	11,316,590
Patients' receivables, net of allowance for uncollectible accounts of $4,336,020 and $36,839,490	**126,079,001**	132,687,968
Other receivables, net	**19,094,206**	16,632,939
Inventories	**12,786,896**	13,817,058
Prepaid expenses and other	**1,268,506**	798,590
Total current assets	**188,393,346**	182,440,015
Assets limited as to use, net of current portion:		
Contributor or grantor restricted:		
Cash and cash equivalents	**8,942,679**	4,083,292
Grants receivable	**1,746,081**	1,721,224
Internally designated cash and cash equivalents	**31,644,961**	42,816,172
Securities lending	**6,333,463**	9,205,055
	48,667,184	57,825,743
Less amount required to meet current obligations	**(10,792,256)**	(11,316,590)
Total assets limited as to use, net of current portion	**37,874,928**	46,509,153
Other assets:		
Land	**10,221,047**	10,573,113
Depreciable property and equipment, net	**125,587,221**	136,022,080
Construction in progress	**18,610,392**	8,621,521
Deposit	**112,341**	
Deferred bond and debt issue costs (less accumulated amortization of $1,055,179 and $998,295)	**453,291**	458,537
Total assets	**$ 381,252,566**	$384,624,419

(Continued)

University Medical Center of Southern Nevada
A Component Unit of Clark County, Nevada

Balance Sheets (continued)

	June 30	
	2009	**2008**
Liabilities and net assets		
Current liabilities:		
Accounts payable	**$ 63,203,453**	$ 56,322,008
Accrued compensation and benefits	**61,483,157**	44,029,556
Other accrued expenses	**1,680,725**	1,688,139
Current portion of long-term debt	**7,288,750**	5,272,521
Due to related party	**16,170,747**	14,577,604
Current portion of self-insurance	**3,697,948**	3,189,808
Securities lending	**6,653,919**	9,253,582
Total current liabilities	**160,178,700**	134,333,219
Long-term portion of self-insured liability	**5,796,211**	5,122,933
Long-term debt, net of current portion	**86,958,877**	94,036,943
Due to related party	**26,877,021**	22,990,223
Total liabilities	**279,810,809**	256,483,317
Commitments and contingencies (Note 13)		
Net assets:		
Invested in capital assets, net of related debt	**79,392,935**	86,741,233
Restricted net assets:		
Hospital and administrative programs	**3,752,216**	4,110,338
Donations, various programs	**3,383,313**	1,542,861
Research programs	**510,051**	523,204
Educational programs	**288,857**	268,533
	7,934,437	6,444,936
Unrestricted net assets	**14,114,386**	34,954,932
Total net assets	**101,441,757**	128,141,101
Total liabilities and net assets	**$ 381,252,566**	$ 384,624,419

See accompanying notes.

University Medical Center of Southern Nevada
A Component Unit of Clark County, Nevada

Statements of Revenues, Expenses, and Changes in Net Assets

	Years Ended June 30	
	2009	**2008**
Operating revenues:		
Net patient revenues (net of provisions for bad debts of $50,646,718 and $47,151,664)	**$ 482,019,526**	$ 501,854,545
Other operating revenues	**27,754,485**	27,161,153
Total operating revenues	**509,774,011**	529,015,698
Operating expenses:		
Nursing and other professional services	**437,940,964**	431,856,946
Administrative and fiscal services	**78,519,323**	76,257,475
General services	**50,860,199**	52,394,984
Depreciation and amortization	**13,790,937**	14,050,009
	581,111,423	574,559,413
Loss from operations before provision for post retirement benefits other than pensions (OPEB)	**(71,337,412)**	(45,543,716)
Provision for OPEB	**11,175,928**	9,456,276
Loss from operations	**(82,513,340)**	(54,999,992)
Nonoperating revenues (expenses):		
Contributions from Clark County	**61,026,422**	44,800,000
Interest income	**1,915,183**	3,154,252
Rental income	**656,579**	611,761
Interest expense	**(4,998,533)**	(5,213,354)
Gain (loss) from disposal or sale of fixed assets	**(2,785,655)**	6,300
Total nonoperating revenues (expenses)	**55,813,996**	43,358,959
Change in net assets	**(26,699,344)**	(11,641,033)
Total net assets, beginning of year	**128,141,101**	139,782,134
Total net assets, end of year	**$ 101,441,757**	$ 128,141,101

See accompanying notes.

University Medical Center of Southern Nevada
A Component Unit of Clark County, Nevada

Statements of Cash Flows

	Years Ended June 30 2009	2008
Cash flows from operating activities		
Cash received from patients and third-party payors	**$ 488,628,493**	$ 520,486,625
Cash payments to suppliers for goods and services	**(232,519,378)**	(233,907,057)
Cash payments to employees for services and benefits	**(319,335,402)**	(325,921,004)
Other operating receipts	**27,754,485**	27,161,153
Net cash used in operating activities	**(35,471,802)**	(12,180,284)
Cash flows from noncapital financing activities		
Contributions from Clark County	**61,026,422**	44,800,000
Repayment of Clark County loan		(1,000,000)
Net cash provided by noncapital financing activities	**61,026,422**	43,800,000
Cash flows from capital and related financing activities		
Proceeds from debt issuance	**6,950,000**	7,000,000
Repayments of bonds	**(6,990,000)**	
Principal paid on other long-term debt	**(5,272,521)**	(5,253,795)
Purchase of property and equipment	**(14,070,363)**	(8,865,680)
Interest paid	**(4,190,168)**	(5,151,627)
Other	**656,579**	611,761
Net cash used in capital and related financing activities	**(22,916,472)**	(11,659,341)
Cash flows from investing activities		
Interest received	**2,235,638**	3,154,252
Increase in cash and cash equivalents	**4,873,786**	23,114,628
Cash and cash equivalents, beginning of year	**54,086,335**	30,971,707
Cash and cash equivalents, end of year	**$ 58,960,121**	$ 54,086,335
Unrestricted cash and cash equivalents	**$ 18,372,481**	$ 7,186,871
Contributor or grantor restricted cash and cash equivalents	**8,942,678**	4,083,292
Internally designated cash and cash equivalents	**31,644,961**	42,816,172
Total cash and cash equivalents	**$ 58,960,121**	$ 54,086,335

(Continued)

University Medical Center of Southern Nevada
A Component Unit of Clark County, Nevada

Statements of Cash Flows (continued)

	Year Ended June 30	
	2009	**2008**
Reconciliation of loss from operations to net cash used in operating activities		
Loss from operations	**$ (82,513,340)**	$ (54,999,992)
Adjustments to reconcile loss from operations to net cash used in operating activities:		
Depreciation and amortization	**13,790,937**	14,050,009
Provision for uncollectible accounts	**50,646,718**	47,151,663
Changes in operating assets and liabilities:		
Increase in patient receivables	**(44,037,750)**	(28,519,584)
Decrease (increase) in inventories	**1,030,161**	(4,747,875)
Decrease (increase) in prepaid expenses and other current assets	**(3,068,382)**	2,110,152
Increase in accounts payable and accrued expenses	**22,018,495**	7,294,081
Increase in self-insured liability	**1,181,418**	839,741
Increase in due to related party	**5,479,941**	4,641,521
Net cash used in operating activities	**$ (35,471,802)**	$ (12,180,284)

See accompanying notes.

1. Summary of Significant Accounting Policies

University Medical Center of Southern Nevada (the Hospital) is a blended component unit (enterprise fund) of, owned and operated by, Clark County, Nevada (the County). The Hospital's Board of Trustees (the Board) consists of the seven member Clark County Board of Commissioners. As the Hospital is a component unit of the County, it is exempt from income tax and, accordingly, no provision for income taxes is required. A summary of the Hospital's significant accounting policies follows:

Reporting Requirements

The financial statements of the Hospital are prepared under accounting principles generally accepted in the United States applicable to state and local governmental entities on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred. Substantially all revenues and expenses are subject to accrual.

The Hospital is subject to the accounting and reporting requirements of the Governmental Accounting Standards Board (GASB) including the reporting requirements of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (GASB 34), as amended. GASB 34 requires the classification of net assets into three components: invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted – This component of net assets results from restrictions placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – This component of net assets consists of all net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

As permitted under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting,* the Hospital generally follows, to the extent that they do not conflict or contradict GASB guidance, Financial Accounting Standards Board (FASB) Statements and Interpretations and has elected not to be bound to follow any issued after November 30, 1989.

Cash Equivalents

Cash equivalents include investments in highly liquid debt instruments with an original maturity of three months

1. Summary of Significant Accounting Policies (continued)

or less at date of purchase, excluding amounts held under trust agreements. The Hospital's restricted and unrestricted cash is deposited with the County Treasurer (the Treasurer) in a fund similar to an external investment pool. Because the amounts deposited with the Treasurer are sufficiently liquid to permit withdrawals in the form of cash at any time without prior notice or penalty, they are deemed to be cash equivalents.

Securities Lending Transactions

The Hospital and other County agencies are required to record their allocated shares of collateral assets and liabilities under securities lending transactions in the stand-alone financial statements of the Hospital and other County agencies as the County had made certain investment transactions covered under GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions* (GASB 28). GASB 28 requires that, when a government invests cash received as collateral for the transfer of existing investments to a broker-dealer or other entity, an asset be recognized for the subsequent investment and a corresponding liability be recognized for the obligation to return the cash to the broker-dealer or other entity. In addition, when an investment pool, such as the pool the Hospital and other County agencies participate in with the County, enters into these types of transactions, the amounts must be allocated to the individual funds of the pool. The County engages in such transactions with the pooled funds. Accordingly the Hospital reports its proportionate shares of collateral assets held and liabilities under secured lending transactions in the financial statements of the Hospital in restricted assets and securities lending liabilities, respectively.

Restricted Assets

Restricted assets include the Hospital's proportionate share of collateral assets held under securities lending transactions and those whose purpose was limited by the contributor and grantor.

Inventories

Inventories of supplies, medications, and food are carried at the lower of cost or market, generally determined on the first-in, first-out method.

Capital Assets

Capital assets are carried at cost or, if donated, at estimated fair value at the date of donation. The threshold to capitalize assets is $3,000. Depreciation and amortization are computed using the straight-line method over the estimated service lives of the respective assets. Outlays for improvements and betterments are capitalized. Maintenance, repairs, and minor improvements are expensed as incurred. The cost of property retired and related accumulated depreciation is removed from the accounts, and any gain or loss recognized in nonoperating revenues (expenses).

1. Summary of Significant Accounting Policies (continued)

Deferred Bond and Debt Issue Costs

Deferred bond and debt issue costs are amortized over a period of five to twenty-one years based upon the term of the related bonds using a method that approximates the effective interest method.

Self-Insured Liability

The self-insured liability represents the provision for estimated self-insured medical malpractice claims as well as workers' compensation claims. The provision includes estimates of the ultimate costs for both reported claims and claims incurred but not reported based on the recommendations of an independent actuary.

Postemployment Benefits Other than Pensions (OPEB)

Effective July 1, 2007, the Hospital implemented the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. In accordance with the transition rules of the statement, the Hospital has elected to apply its measurement and recognition requirements on a prospective basis and set its beginning net OPEB obligation at zero for the year ended June 30, 2008. The annual OPEB cost reported in the accompanying financial statements is equal to the annual required contributions (ARC) of the Hospital, based on an actuarial valuation using the same methods and assumptions applied in determining the funding requirements. The OPEB obligation at June 30, 2009, is determined by adding the annual OPEB cost to the OPEB obligation at the beginning of the year and deducting any contributions made during the year.

Statements of Revenues, Expenses, and Changes in Net Assets

All revenues and expenses directly related to the delivery of health care services are included in operating revenues and expenses in the statements of revenues, expenses and changes in net assets. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing activities, non-exchange transactions or investment income. When an expense is incurred for purposes for which there are both restricted and unrestricted resources available, it is the Hospital's policy to use restricted resources to satisfy those expenses to the extent such are available and then to use unrestricted resources.

Net Patient Revenues

The Hospital provides care to indigent patients and all patients who meet certain criteria under its charity care policy, and community services without charge or at amounts less than established rates or actual costs. A patient is classified as a charity patient by reference to certain policies established by the Hospital as to the ability of the patient to pay. Partial payments to which the Hospital is entitled from public assistance and other programs on behalf of patients who meet the charity care policy of the Hospital are reported as net patient service revenue. Because the Hospital does not pursue collection of amounts predetermined to qualify as charity care, these amounts are not recorded as revenue. Charges forgone based upon established rates for

1. Summary of Significant Accounting Policies (continued)

services provided to charity care and indigent patients, and for educational and selected community service programs amounted to approximately $386,339,000 in 2009 and $335,572,000 in 2008.

Net patient revenues are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Adjustments are accrued on an estimated basis in the period the related services are rendered and estimates are retroactively revised in future periods, as necessary, including when final settlements are determined.

As part of the Hospital's mission to serve the community, the Hospital provides care to patients even though they may lack adequate insurance or may participate in programs that do not pay established rates. The Hospital regularly reviews accounts and contracts and provides appropriate contractual adjustments and allowances for uncollectible accounts and charity care. Extensive efforts are made to collect all amounts owed to the hospital. Several avenues are pursued including direct collections efforts, assistance in finding pay sources, and assistance in compliance with the County's uninsured discount program. When all efforts have been exhausted, accounts are written off to bad debts. These accounts are then followed up by collection agencies.

The approximate percentage of gross patient revenues by major payor group for the years ended June 30:

	2009	2008
Medicare	**19** %	20 %
Medicaid, Clark County, self-pay	**51**	48
Commercial, HMO, PPO	**25**	26
Other	**6**	6
Total	**100** %	100 %

Advertising

Advertising costs are expensed as incurred, and are included in administrative and fiscal service expense. Advertising costs for the 2009 and 2008 fiscal years were $1,353,928 and $476,929, respectively.

Concentrations and Economic Risks and Uncertainties

The Hospital's business activity is primarily in the health care industry in southern Nevada. Because the Hospital operates exclusively in southern Nevada, realization of its receivables, inventories and its future operations could be affected by adverse economic conditions in the area.

In addition, the Hospital receives the majority of its products from a limited number of suppliers and any reduction or interruption of such sources could adversely affect future operations.

1. Summary of Significant Accounting Policies (continued)

The majority of the hospital's employees are covered by collective bargaining agreements entered into with the Service Employee International Union (SEIU) and the International Union of Operating Engineers. The SEIU contract expires June 30, 2011, but will remain in effect until modified. The Operating Engineers contract expires June 30, 2012.

The United States is experiencing a widespread recession characterized by a decline in general economic activity, including local casino gaming volume and other tourism, together with a reduction in general credit availability and instability in the commercial and investment banking systems, and is engaged in war, all of which are likely to have far-reaching effects on economic activity in the country for an indeterminate period of time. The long-term impact of these factors on the southern Nevada economy and the Hospital's future operations cannot be predicted at this time but may be substantial.

The Hospital's cash and cash equivalents, through the County Treasurer, on deposit with a financial institution are often in excess of federally-insured limits, and the risk of losses related to such concentrations may be increasing as a result of recent economic developments discussed in the foregoing paragraph. The extent of a future loss to be sustained as a result of uninsured deposits in the event of a future failure of a financial institution, if any, however, is not subject to estimation at this time.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant accounting estimates that are subject to material change in the next fiscal year include contractual adjustments, allowances for uncollectible accounts, and estimates of self-insurance reserves.

Reclassifications

Certain minor reclassifications have been made to the 2008 financial statements to conform to the 2009 presentation.

2. Cash, Cash Equivalents, and Investments

Substantially all cash (including cash equivalents) and investments of the Hospital are under control of the Treasurer and are included in the Treasure's investment pool.

2. Cash, Cash Equivalents, and Investments (continued)

As of June 30, 2009 and 2008, these amounts are as follows:

	2009	2008
Clark County investment pool	$ 58,937,221	$ 54,074,335
Cash on hand	22,900	12,000
Collateral on loaned securities	6,333,463	9,205,055
Total cash and investments	$ 65,293,584	$ 63,291,390

The Treasurer invests monies held both by individual funds and through a pooling of monies. The pooled monies, referred to as the investment pool, are invested as a whole and not as a combination of monies from each fund belonging to the pool. In this manner, the Treasurer is able to invest the monies at a higher interest rate for a longer period of time. Interest is apportioned monthly to each fund in the pool based on the average daily cash balance of the fund for the month.

According to Nevada statutes, County monies must be deposited with federally insured banks and savings and loan associations within the County. The Treasurer is authorized to use demand accounts, time accounts, and certificates of deposit.

Nevada statutes do not specifically require collateral for demand deposits, but do specify that collateral for time deposits may be of the same type as those described for permissible investments under Nevada statues. Permissible investments are similar to allowable County investments described below except that some permissible investments are longer term and include securities issued by municipalities outside Nevada.

Due to the nature of the investment pool, it is not possible to separately identify any specific investment as being that of the Hospital. Instead, the Hospital owns a proportionate share of each investment, based on the Hospital's participation percentage in the investment pool.

2. Cash, Cash Equivalents, and Investments (continued)

As of June 30, 2009 and 2008, $58,937,221 and $54,074,335, respectively, of Hospital investments in the investment pool were as follows:

2009

Investment Type	Percentage of Investment Type to the Total Pool	Duration in Years
U.S. Agencies	71.91%	1.87
U.S. Treasury Obligations	11.98%	1.43
Money Market Mutual Funds	9.67%	0.00
Corporate Notes	3.94%	2.70
NVEST	2.50%	0.00
	100%	
Average Portfolio Duration		1.56

2008

Investment Type	Percentage of Investment Type to the Total Pool	Duration in Years
U.S. Agencies	57.14%	1.93
Money Market Mutual Funds	16.69%	0.00
U.S. Treasury Obligations	10.01%	1.72
Collateralized Investment Agreem	7.79%	0.00
Corporate Notes	5.48%	1.13
State Investment Pool	1.84%	0.00
Certificates of Deposit	1.05%	0.05
	100%	
Average Portfolio Duration		1.34

Credit Risk

The County's investment policy applies a prudent-person rule, which is: "In investing the County's monies, there shall be exercised the judgment and care under the circumstances then prevailing, which

2. Cash, Cash Equivalents, and Investments (continued)

persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived." The County's investments in U.S. agency obligations were rated AAA by Standard and Poor's, Fitch Ratings, and Moody's Investors Service. The County investments in U.S. Treasury obligations carry no measurable credit risk because they are backed by the U.S. federal government. The County's investment in commercial paper is rated A-1 by Moody's Investor Service, P-1 by Standard and Poor's, and F-1 by Fitch Ratings. The Hospital's money market mutual fund investments are made only with those funds rated as AAA or its equivalent by a nationally recognized rating service and invested only in securities issued by the U.S. federal government, U.S. agencies, or in repurchase agreements fully collateralized by such securities. The State Investment Pool does not have a credit rating.

Concentration of Credit Risk

To limit exposure to concentrations of credit risk, the County's investment policy limits investments in bankers' acceptance notes, commercial paper, corporate notes and bonds, collateralized mortgage obligations, and asset-backed securities to 20% of the entire portfolio on the day of purchase. At June 30, 2009, the following investments exceeded 5% of the investment pool:

Federal Home Loan Banks (FHLB)	26.89 %
Federal Farm Credit Bank (FFCB)	18.58
Federal Home Loan Mortgage Corporation (FHLMC)	14.43
Federal National Mortgage Association (FNMA)	12.08
U.S. Treasury Obligations	11.99
Money Market Mutual Funds	9.68

Interest Rate Risk

Through its investment policy, the County manages its exposure to fair value losses arising from increasing interest rates (referred to as interest rate risk) by limiting the weighted average duration of its investment portfolio to less than 2.5 years. Accordingly, the County's investment policy limits investment portfolio maturities for certain investment instruments as follows: U.S. Treasury and U.S. agencies to less than ten years; bankers' acceptances to 180 days; commercial paper to 270 days; certificates of deposit to one year; corporate notes and bonds to five years; and repurchase agreements to 90 days.

Interest Rate Sensitivity

Callable securities are directly affected by the movement of interest rates. Callable securities allow the issuer to redeem or call a security before maturity, generally on coupon dates.

Step-Up securities have fixed rate coupons for a specific time interval that will step-up a predetermined number of basis points at scheduled coupon or other reset dates. These securities are callable one time or on their coupon dates.

2. Cash, Cash Equivalents, and Investments (continued)

Fix-to-Floating Rate notes have fixed rate coupons for a specified period of time then a variable rate coupon for the remaining life of the security. The variable rate is generally based on the three month LIBOR plus 125 basis points. In some cases, interest rate caps are reset higher annually. These securities are callable, generally on their coupon dates.

CPI Floaters have variable rate coupons based on the Consumer Price Index Year-over-Year index plus 114 basis points. This rate resets and pays a coupon monthly.

Range notes have fixed rate coupons based on the three month LIBOR staying within a range for a time period, generally one year. If the three month LIBOR is within the predetermined range for a specified time period, the coupon rate is reset at a higher rate at periodic intervals. If the three month LIBOR is out of the predetermined range, the coupon rate is reset to a floor rate of 1%. These securities are also callable on their coupon dates.

At June 30, 2009 and 2008, U.S. agency obligations that were highly sensitive to changes in interest rates represented 30% and 26%, respectively, of total investment securities.

Securities Lending Transactions

Nevada Revised Statutes (NRS 355.178) and the County's investment policy permit the Treasurer to participate in securities lending transactions, where the County's U.S. government securities are loaned to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The County's securities lending agent administers the securities lending program and receives cash or other securities equal to at least 102% of the fair value of the loaned securities plus accrued interest as collateral for securities of the type on loan at year end. The collateral for the loans is maintained at 102%, and the value of the securities borrowed must be determined on a daily basis. At June 30, 2009, the County had no credit risk exposure to borrowers because the amount the County owed to borrowers exceeded the amounts the borrowers owed to the County. The contract with the securities lending agent requires it to indemnify the County for all losses relating to securities lending transactions. There were no losses resulting from borrower default during the period nor were there any recoveries of prior period losses.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Consistent with the County's securities lending policy, the $6,333,463 of Hospital collateral on loaned securities at June 30, 2009, was held by the counterparty that was acting as the County's agent in securities lending transactions.

There are no restrictions on the amount of securities that can be loaned. Either the County or the borrower can terminate all open securities loans on demand. Cash collateral is invested in accordance with the investment guidelines stated in NRS 355.178. The maturities of the investments made with cash collateral match the maturities of the securities loaned.

2. Cash, Cash Equivalents, and Investments (continued)

The Hospital has recorded restricted investments related to securities lending transactions of $6,333,463 and $9,205,055 as of June 30, 2009 and 2008 respectively, with a corresponding securities lending liability of $6,653,919 and $9,253,582 as of June 30, 2009 and 2008.

These investments are categorized at June 30, 2009, as follows:

Investments Loaned	Percentage of Investment Type to the Total Pool
U.S. Treasury Obligations	81.74 %
U.S. Agencies	14.12
Corporate Notes	4.13
	100.00 %

Investment Type of Collateral Held	Percentage of Investment Type to Total Collateral Held
Money Market Mutual Funds	61.58 %
Corporate Notes	35.17
Asset Backed Securities	3.25
	100.00 %

3. Other Receivables, Net

A summary of other receivables, net at June 30 follows:

	2009	2008
Third-party settlements	**$ 18,626,051**	$ 15,940,273
Other	**468,155**	692,666
	$ 19,094,206	$ 16,632,939

4. Internally Designated Assets

The Hospital's internally designated assets consist of the following as of June 30:

	2009	2008
Self insurance funds	**$ 973,093**	$ 920,608
Debt service funds	**11,449,966**	11,061,579
Capital acquisition funds	**19,221,902**	30,833,984
	$ 31,644,961	$ 42,816,172

5. Related Party Transactions

The Hospital receives payments from the County under a contractual arrangement to provide care for qualifying indigent and emergency care. For the years ended June 30, 2009 and 2008, the Hospital received $63,703,622 and $69,914,741, respectively, for such care. Amounts received for qualifying indigent and emergency care are included in net patient revenues in the fiscal years the services are rendered.

The County charges for legal and financial services provided to the Hospital. The Hospital recorded costs of $1,168,427 and $1,355,486 for these services during 2009 and 2008, respectively. At June 30, 2009 and 2008, non-interest bearing amounts due to the County for such services were $22,035,708 and $20,867,281, respectively. At June 30, 2009 and 2008, the County agreed not to demand payment for these services prior to July 1, 2010 and 2009, respectively, and accordingly, these amounts owed to the County have been classified as a long-term liability in the accompanying balance sheets.

The Hospital is billed by the County for its portion of self insurance premiums for health, dental and vision insurance. Since the hospital is affiliated with the County, this liability is reported in the due to related party line of the balance sheet.

5. Related Party Transactions (continued)

A summary of changes in due to related party balances during 2009 and 2008 follows:

2009	Beginning Balance	Additions	Reductions	Ending Balance
Current portion				
Clark County- Worker's Compensation	$ 3,807,477	$ 1,862,136	$ (1,200,000)	$ 4,469,613
Clark County Tr- Auto	47,318	141,837	(147,365)	41,791
Clark County Enterprise	29,401	35,078	(38,893)	25,586
Clark County General Service		251		251
Clark County Self-Funded Insurance	9,337,920	23,295,236	(20,999,651)	11,633,505
Clark County Overhead	1,355,486		(1,355,486)	
	14,577,603	25,334,539	(23,741,394)	16,170,747
Long-term portion				
Clark County Overhead	22,990,223	4,640,320	(753,522)	26,877,021
	$ 37,567,826	$ 29,974,859	$ (24,494,916)	$ 43,047,768

2008	Beginning Balance	Additions	Reductions	Ending Balance
Current portion				
Clark County Interfund	$ 1,000,000		$ (1,000,000)	
Clark County- Worker's Compensation	3,920,187	$ 1,417,261	(1,529,971)	$ 3,807,477
Clark County Tr- Auto	6,668	114,760	(74,110)	47,318
Clark County Enterprise	9,736	88,536	(68,870)	29,401
Clark County Advertising TV	140,000		(140,000)	
Clark County Self-Funded Insurance	11,784,339	20,745,452.96	(23,191,871.55)	9,337,920
Clark County Overhead		1,355,486		1,355,486
	16,860,930	23,721,496	(26,004,823)	14,577,603
Long-term portion				
Clark County Overhead	19,511,795	3,478,428		22,990,223
	$ 36,372,725	$ 27,199,924	$ (26,004,823)	$ 37,567,826

6. Medicare and Medicaid Programs

The Hospital renders services to patients under contractual arrangements with the U.S. Federal Medicare and the State of Nevada Medicaid programs. Revenues received under the Medicare program are subject to audit and retroactive adjustment. Medicare cost reports have been finalized through the 2007 fiscal year. Provisions for estimated retroactive adjustments for cost report years that have not been finalized have been provided, where applicable. During 2009 and 2008, approximately $566,000 and $931,000,

6. Medicare and Medicaid Programs (continued)

respectively, of retroactive adjustments for prior years were reported.

The State of Nevada Medicaid program provides for additional funding for indigent and Medicaid care through a disproportionate share program. Funding for the disproportionate share program is generated through intergovernmental transfers and matching funds from the federal government. The amount of gross disproportionate share payments received by the Hospital was $79,563,211 and $72,286,799 in fiscal 2009 and 2008, respectively.

The State of Nevada Medicaid program revised its plan effective January 1, 2003, to allow for supplemental Medicaid payments as provided under federal regulations referred to as the Upper Payment Limit (UPL). The amendment to the State of Nevada Medicaid program was approved by its Center for Medicare and Medicaid Services on September 22, 2002, allowing the State to reimburse county-owned hospitals 100% of the amount that Medicare would pay in the aggregate for the services reimbursed by the Medicaid program. These funds are distributed prospectively on a quarterly basis. Funding for the UPL program is generated through intergovernmental transfers from the County and matching funds from the federal government. The amount of gross UPL payments received by the Hospital was $28,116,491 and $29,966,960 in fiscal 2009 and 2008, respectively.

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, governmental program participation, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as repayment of patient services previously billed. Management believes that the Hospital is in compliance with fraud and abuse statutes as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

7. Capital Assets

The Hospital's investment in capital assets consists of the following as of June 30:

2009	Beginning Balance	Additions/ Transfers	Retirements/ Transfers	Ending Balance
Land	$ 10,573,113		$ (352,066)	$ 10,221,047
Land improvements	5,650,266		(974,758)	4,675,508
Buildings and building improvements	166,546,827	$ 571,922	(5,197,503)	161,921,245
Equipment	98,866,884	4,528,657	(15,313,330)	88,082,211
Furnitures and fixtures	1,088,813	7,004		1,095,817
Total at historical cost	282,725,903	5,107,583	(21,837,657)	265,995,828
Less accumulated depreciation and amortization:				
Land improvements	(1,521,526)	(160,403)	101,537	(1,580,391)
Buildings and building improvements	(62,310,282)	(4,508,749)	4,355,435	(62,463,596)
Equipment	(72,041,084)	(8,902,945)	15,277,116	(65,666,913)
Furnitures and fixtures	(257,819)	(218,840)		(476,659)
	(136,130,711)	(13,790,937)	19,734,088	(130,187,560)
Construction in progress	8,621,521	10,737,509	(748,639)	18,610,391
Property, plant, and equipment, net	$ 155,216,713	$ 2,054,155	$ (2,852,208)	$ 154,418,660

7. Capital Assets (continued)

2008	Beginning Balance	Additions/ Transfers	Retirements/ Transfers	Ending Balance
Land	$ 10,573,113			$ 10,573,113
Land improvements	5,650,266			5,650,266
Buildings and building improvements	165,655,520	$ 2,160,876	$ (1,269,569)	166,546,827
Equipment	95,161,028	3,954,539	(248,683)	98,866,884
Furnitures and fixtures	975,394	113,419		1,088,813
Total at historical cost	278,015,321	6,228,834	(1,518,252)	282,725,903
Less accumulated depreciation and amortization:				
Land improvements	(1,312,161)	(209,365)		(1,521,526)
Buildings and building improvements	(57,665,836)	(4,644,446)		(62,310,282)
Equipment	(63,058,085)	(8,982,999)		(72,041,084)
Furnitures and fixtures	(44,620)	(213,199)		(257,819)
	(122,080,702)	(14,050,009)		(136,130,711)
Construction in progress	5,402,552	1,949,400	1,269,569	8,621,521
Property, plant, and equipment, net	$ 161,337,171	$ (5,871,775)	$ (248,683)	$ 155,216,713

Capitalized interest is part of the cost of buildings and building improvements, and construction in progress. As of June 30, 2009 and 2008, total capitalized interest amounted to $6,791,409 and $6,331,688, respectively.

8. Long-Term Debt

The Hospital's long-term debt consists of the following as of June 30:

	2009	2008
Clark County, Nevada General Obligation (Limited Tax) Hospital Bonds, Series 2000	$ 7,395,000	$ 8,550,000
Clark County, Nevada General Obligation (Limited Tax) Hospital Improvement and Refunding (Multiple Series) Bonds, Series 2003 (Net of unamortized deferred refunding loss fully amortized in 2009 and $82,387 in 2008)	10,770,000	11,847,614
Clark County, Nevada General Obligation (Limited Tax) Hospital Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2004 (Net of unamortized deferred refunding loss of $20,689 in 2009 and $51,722 in 2008)	1,609,311	3,158,278
Clark County, Nevada General Obligation (Limited Tax) Hospital Refunding Bonds (Additionally Secured with Pledged Gross Revenues), Series 2005 (Net of unamortized deferred refunding loss of $3,387,812 in 2009 and $3,705,419 in 2008)	44,352,188	44,184,580
Clark County, Nevada General Obligation (Limited Tax) Hospital Refunding Bonds (Additionally Secured with Pledged Gross Revenues), Series 2007 (Net of unamortized deferred refunding loss of $632,944 in 2009 and $677,622 in 2008)	17,442,056	17,407,377
Clark County, Nevada General Obligation (Limited Tax) Medium-Term Hospital Bonds, Series 2007		7,000,000
Clark County, Nevada General Obligation (Limited Tax) Medium-Term Hospital Refunding Bonds, Series 2009 (Net of unamortized deferred refunding loss of $43,975 in 2009)	6,906,025	
Clark County, Nevada General Obligation (Limited Tax) Medium-Term Note (Additionally Secured with Equipment)	2,473,817	3,681,338
	90,948,397	95,829,188
Plus unamortized premium on Series 2004, 2005, and 2009	3,299,230	3,480,275
Less current maturities (net of unamortized deferred refunding loss of $388,252 in 2009 and $475,704 in 2008)	(7,288,750)	(5,272,521)
	$ 86,958,877	$ 94,036,942

8. Long-Term Debt (continued)

On March 1, 2000, Clark County, Nevada issued $56,825,000 in General Obligation (Limited Tax) Hospital Bonds (the 2000 Bonds) with interest rates of 5.0% to 5.75%, which are collateralized with pledged gross revenues. On July 28, 2005, $47,875,000 of the principal amount was refunded by the 2005 bonds leaving $8,750,000 as the outstanding principal balance. Principal and interest on the 2000 Bonds is due semiannually on March 1st and September 1st. The 2000 Bonds mature in 2011.

On November 1, 2003, Clark County, Nevada issued $36,765,000 in General Obligation (Limited Tax) Hospital Improvement and Refunding (Multiple Series) Bonds (the 2003 Bonds) with interest rates of 2.25% to 5.0%, which are collateralized with pledged gross revenues. On May 1, 2007, $17,205,000 aggregate principal was refunded by the 2007 Bonds leaving $14,090,000 as the outstanding principal balance. Principal and interest for the 2003 Bonds is due semiannually on March 1st and September 1st. The 2003 Bonds mature in 2024.

On May 1, 2004, Clark County, Nevada issued $8,085,000 in General Obligation (Limited Tax) Hospital Refunding Bonds (the 2004 Bonds) with interest rates of 2.25% to 3.5%, which are collateralized with pledged gross revenues. Principal and interest for the 2004 Bonds is due semiannually on March 1st and September 1st. The 2004 Bonds mature in 2010.

On July 28, 2005, Clark County, Nevada issued $48,390,000 in General Obligation (Limited Tax) Hospital Refunding Bonds (the 2005 Bonds) with interest rates of 4.0% to 5.0%, which are collateralized with pledged gross revenues. The proceeds of the bonds were used to: (i) refund $47,875,000 aggregate principal amount of the County's General Obligation (Limited Tax) Hospital Bonds, Series 2000; and (ii) pay the costs of issuing the 2005 Bonds. As a result, the previously outstanding refunded bonds are considered to be defeased and the liabilities for those bonds have been extinguished with the exception of $8,750,000 left outstanding. The aggregate difference in debt service between the refunded debt and the refunding debt was $3,867,842. The economic gain on the transaction was $2,883,595. The 2005 Bonds were sold at a premium of $4,338,966. In addition, the issuance of the 2005 Bonds resulted in a loss on defeasance of $4,738,038. Both the loss on defeasance and the premium are being amortized over the life of the new bonds. Principal and interest for the 2005 Bonds is due semiannually on March 1st and September 1st. The 2005 Bonds mature in 2020.

On May 1, 2007, Clark County, Nevada issued $18,095,000 in General Obligation (Limited Tax) Hospital Refunding Bonds (the 2007 Bonds) with an interest rate of 4.19%, which are collateralized with pledged gross revenues. The proceeds of the bonds were used to: (i) refund $17,205,000 aggregate principal amount of the County's General Obligation (Limited Tax) Hospital Bonds, Series 2003; and (ii) pay the cost of issuing the 2007 Bonds. As a result, the previously outstanding refunded bonds are considered to be defeased and the liabilities for those bonds have been extinguished with the exception of $13,925,229 left outstanding. The aggregate difference in debt service between the refunded debt and the refunding debt was $892,899. The economic gain on the transaction was $688,931. The issuance of the 2007 Bonds resulted in a deferred loss of $726,024, which will be amortized over the life of the new bonds. Principal and interest for the 2007 Bonds are due semiannually on March 1st and September 1st. The 2007 Bonds mature in 2023.

8. Long-Term Debt (continued)

On November 29, 2007, Clark County, Nevada issued $7,000,000 General Obligation (Limited Tax) Medium-Term Hospital Bonds with interest rates of 3.89% which are collateralized with pledged gross revenues. The purpose of the bond issue was to finance costs of acquiring and improving hospital equipment. This bond was refunded completely in March 2009 by the Medium-Term 2009 Bonds described below.

On March 10, 2009, Clark County, Nevada issued $6,950,000 in General Obligation (Limited Tax) Medium-Term Bonds (the 2009 Bonds) with an interest rate of 3.00%, which are collateralized with pledged gross revenues. The proceeds of the bonds were used to: (i) refund $6,990,000 aggregate principal amount of the County's General Obligation (Limited Tax) Medium-Term, Series 2007 bonds; and (ii) pay the cost of issuing the 2009 Bonds. As a result, the previously outstanding refunded bonds are considered to be defeased and the liabilities for those bonds have been extinguished. The aggregate difference in debt service between the refunded debt and the refunding debt was $322,255. The economic gain on the transaction was $301,798. The 2009 Bonds were sold at a premium of $137,371. In addition, the issuance of the 2009 Bonds resulted in a deferred loss of $45,733. Both the loss on defeasance and the premium are being amortized over the life of the new bonds. Principal and interest for the 2009 Bonds are due semiannually on May 1st and November 1st. The 2009 Bonds mature in 2017.

On May 20, 2004, Clark County, Nevada issued an $8,079,363 General Obligation (Limited Tax) Medium-Term Note (the LaSalle Note) with an interest rate of 4.56%. The LaSalle Note is collateralized with equipment. Principal and interest are due monthly on the 20th. The LaSalle Note matures in 2011.

The Hospital's general obligation bond ordinances contain the usual and customary covenants associated with such bonds. Hospital management believes it is in compliance with all such covenants.

The Tax Reform Act of 1986 imposes a rebate requirement with respect to bonds issued by the County. Under this act, an amount may be required to be rebated to the United States Treasury, so that all interest on the bonds qualifies for exclusion from gross income for federal income tax purposes.

The Hospital is current on all required arbitrage payments. As of June 30, 2009, the Hospital has estimated its potential arbitrage rebate liability and has accrued $622,000 to cover such estimated liability.

8. Long-Term Debt (continued)

A summary of changes in long-term debt during 2009 and 2008 follows:

2009	Beginning Balance	Additions	Reductions	Ending Balance
Hospital bonds	**$ 96,665,000**	**$ 6,950,000**	**$ (11,055,000)**	**$ 92,560,000**
Hospital note	**3,681,339**		**(1,207,521)**	**2,473,817**
	100,346,339	**6,950,000**	**(12,262,521)**	**95,033,817**
Less deferred refunding loss	**(4,517,150)**	**(45,734)**	**477,463**	**(4,085,421)**
Total bonds and note	**$ 95,829,188**	**$ 6,904,266**	**$ (11,785,058)**	**$ 90,948,397**

2008	Beginning Balance	Additions	Reductions	Ending Balance
Hospital bonds	$ 93,765,000	$ 7,000,000	$ (4,100,000)	$ 96,665,000
Hospital note	4,835,133		(1,153,795)	3,681,339
	98,600,133	7,000,000	(5,253,795)	100,346,339
Less deferred refunding loss	(4,992,855)		475,704	(4,517,150)
Total bonds and note	$ 93,607,279	$ 7,000,000	$ (4,778,090)	$ 95,829,188

8. Long-Term Debt (continued)

Principal and interest payments required to maturity on long-term debt at June 30, 2009 follow:

Year ended June 30:	Principal	Interest
2010	$ 7,288,750	$ 4,376,727
2011	5,800,067	4,055,097
2012	5,475,000	3,786,015
2013	5,730,000	3,531,908
2014	5,995,000	3,265,064
2015-2019	32,835,000	11,917,910
2020-2024	31,910,000	3,777,690
	95,033,817	34,710,410
Less unamortized deferred refunding loss	(4,085,420)	
Plus unamortized bond premium	3,299,230	
Total	$ 94,247,627	$ 34,710,410

A summary of interest expense and interest income for the years ended June 30 follows:

	2009	2008
Interest cost:		
Capitalized	$ 459,721	$ 265,450
Charged to operations	4,998,533	5,213,354
Total	$ 5,458,254	$ 5,478,804
Interest income:	$ 1,915,183	$ 3,154,252

9. Liability Insurance

The Hospital is exposed to various risks of loss related to theft of, damage to and destruction of assets, errors and omissions, injuries to employees and patients, and natural disasters. These risks are covered by the Hospital's Self-Insured Professional and General Liability Insurance Policy, commercial insurance purchased from independent third parties, and the County's worker's compensation program.

9. Liability Insurance (continued)

On January 20, 1987, the Board approved self-insured malpractice and general liability and workers' compensation insurance programs. In lieu of maintaining insurance coverage, the Board created the malpractice and general liability fund and the workers' compensation fund. The Hospital has accrued an undiscounted liability for estimated future settlements and claims losses for medical malpractice, general liability, and workers' compensation using its best estimate of these losses in accordance with actuarially determined amounts. Included in internally designated restricted assets, the Hospital has funded $973,092 and $920,608 at June 30, 2009 and 2008, of the accrued liability of $9,494,159 and $8,312,741, respectively. In the opinion of management, there are no claims or lawsuits asserted or unasserted that would not be adequately covered by insurance and/or the malpractice and general liability accrual.

A summary of changes in the self-insurance liability during 2009 and 2008 follows:

2009	Beginning Balance	Additions	Reductions	Ending Balance
Current portion				
Self-insured malpractice	**$ 1,502,710**	**$ 508,140**		**$ 2,010,850**
Self-insured workers' compensation	**1,687,098**	**1,476,447**	**$ (1,476,447)**	**1,687,098**
	3,189,808	**1,984,587**	**(1,476,447)**	**3,697,948**
Long-term portion				
Self-insured malpractice	**4,009,031**	**1,562,196**	**(888,918)**	**4,682,309**
Self-insured workers' compensation	**1,113,902**			**1,113,902**
	5,122,933	**1,562,196**	**(888,918)**	**5,796,211**
	$ 8,312,741	**$ 3,546,783**	**$ (2,365,365)**	**$ 9,494,159**

2008	Beginning Balance	Additions	Reductions	Ending Balance
Current portion				
Self-insured malpractice	$ 1,284,335	$ 218,375		$ 1,502,710
Self-insured workers' compensation	1,356,098	1,704,156	$ (1,373,156)	1,687,098
	2,640,433	1,922,531	(1,373,156)	3,189,808
Long-term portion				
Self-insured malpractice	3,718,665	1,298,134	(1,007,768)	4,009,031
Self-insured workers' compensation	1,113,902			1,113,902
	4,832,567	1,298,134	(1,007,768)	5,122,933
	$ 7,473,000	$ 3,220,665	$ (2,380,925)	$ 8,312,741

10. Employee Benefit Plans

Retirement Plan

Substantially all of the Hospital's employees are participants in a retirement plan (the Plan) that is part of the Public Employees' Retirement System (PERS) for public employees in the State of Nevada. The Plan was established on July 1, 1948, by the Nevada Legislature and is governed by the Public Employees' Retirement Board whose seven members are appointed by the Governor. All public employees who meet certain eligibility requirements may participate in the Plan. The Plan is a cost sharing, multiple-employer, defined benefit plan of PERS.

The Hospital does not exercise any control over the Plan and NRS 286.110 states, "Respective participating public employers are not liable for any obligation of the system." Benefits, as required by state statute, are determined by the number of years of credited service at the time of retirement and the participants' highest average compensation in any 36 consecutive months. Benefit payments to which participants may be entitled under the Plan include pension benefits, disability benefits, and death benefits.

Monthly benefit allowances for regular participants are computed at 2.67% (2.5% prior to July 1, 2001) of average compensation (average of 36 consecutive months of highest compensation) for each credited year of service prior to retirement up to a maximum of 90% of the average compensation for employees entering the system prior to July 1, 1985, and 75% for those entering after that date. The Plan offers several alternatives to the unmodified service retirement allowance which, in general, allows the retired employee to accept a reduced service retirement allowance payable monthly during the employee's life and various optional monthly payments to a named beneficiary after the employee's death. Regular members are eligible for retirement benefits at age 65 with 5 years of service, at age 60 with 10 years of service or at any age with 30 years of service.

NRS 286.410 establishes the required contribution rates and provides for yearly increases of up to 1% until such time as the actuarially determined unfunded liability of the Plan is reduced to zero. The Hospital is obligated to contribute all amounts due under the Plan. The contribution rate, based on covered payroll, was 20.50% for each of the three years ended June 30, 2009, 2008 and 2007.

The Hospital's contributions to the Plan for the years ended June 30, 2009, 2008 and 2007 were $43,515,149, $44,494,423, and $38,347,071, respectively, and were equal to the required contributions for each fiscal year. At June 30, 2009 and 2008, accrued expenses include $7,525,210, and $6,260,801, respectively, due to PERS.

An annual report containing financial statements and required information for the Plan may be obtained by writing to PERS, 693 W. Nye Lane, Carson City, Nevada 89703-1599 or by calling (775) 687-4200.

10. Employee Benefit Plans (continued)

Deferred Compensation Plan

The Hospital offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Hospital does not exercise any control over the assets of the deferred compensation plan. The plan, available to all Hospital employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

11. Postemployment Benefits Other than Pensions (OPEB)

Plan Information

In accordance with Nevada Revised Statutes, retirees of the Hospital may continue insurance through the Clark County Retiree Health program (County Plan), an agent multiple-employer defined benefit plan, if enrolled as an active employee at the time of retirement. Within the County Plan, retirees may choose between the Clark County Self-Funded Group Medical and Dental Benefits Plan (Self-Funded Plan), and Health Plan of Nevada (HPN), a fully-insured, health maintenance organization (HMO) plan.

Some employees are enrolled in the State's program of insurance. This program, the Public Employee Benefit Program (PEBP), is an agent multiple-employer, defined benefit plan.

Each plan provides medical, dental and vision benefits to eligible active and retired employees and beneficiaries. Except for the PEBP, benefit provisions are established and amended through negotiations between the Hospital and the employee unions. PEBP benefit provisions are established by the Nevada State Legislature.

The Self-Funded Plan is not administered as a qualifying trust or equivalent arrangement and is included in the County Comprehensive Annual Financial Report (CAFR) as an internal service fund (the Self-Funded Group Insurance fund), as required by Nevada Revised Statutes.

The PEBP issues a publicly available financial report that includes financial statements and required supplementary information. The Self-Funded Plan and PEBP reports may be obtained by writing or calling the plans at the following addresses or numbers:

Clark County, Nevada
PO Box 551210
500 S. Grand Central Parkway
Las Vegas, NV 89155-1210
(702) 455-3269

11. Postemployment Benefit Plans Other than Pensions (OPEB) (continued)

Public Employee Benefit Plan
901 South Stewart Street, Suite 1001
Carson City, Nevada 89701
(800) 326-5496

Funding Policy and Annual OPEB Cost

For the Self-funded and HPN programs, contribution requirements of plan members and the ospital are established and may be amended through negotiations between the Hospital's Board and the employee unions.

The Hospital pays approximately 84.9% percent of premiums for active employee coverage, an average of $8,314 per active employee for the year ended June 30, 2009. Retirees in the Self-Funded and HPN plans receive no direct subsidy from the Hospital. Under State law, retiree loss experience is pooled with active loss experience for the purpose of setting rates. The difference between the true claims cost and the blended premium is an implicit rate subsidy that creates an OPEB cost for the Hospital.

The Hospital is required to pay the PEBP an explicit subsidy, based on years of service, for retirees who enroll in this plan. In 2009, retirees were eligible for a $103 per month subsidy after five years of service with a Nevada state or local government entity. The maximum subsidy of $564 per month is earned after 20 years of combined service with any eligible entity. The subsidy is set by the State Legislature.

The annual OPEB cost for each plan is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

11. Postemployment Benefit Plans Other than Pensions (OPEB) (continued)

The Hospital's annual OPEB cost for the current year and the related information for each plan are as follows:

	Self-Funded / HPN	PEBP
Contribution rates:	Actuarially determined, premium sharing determined by union contracts	Set by State Legislature
The Hospital	Implicit subsidy through blending of active and retiree loss experience	$103 per month after 5 years of service up to $564 per month after 20 years
Plan members	From $366 per month for family coverage to $1,079 per month for family coverage, depending on plan	From $0 to $1,335, depending on level of coverage and subsidy earned
Annual required contribution (ARC)	$14,753,013	$1,622,140
Interest on net OPEB obligation	258,092	28,378
Adjustment to annual required contribution	(2,311,234)	(83,895)
Annual OPEB cost	12,699,871	1,566,623
Contributions made	(1,137,020)	(1,639,983)
Increase (decrease) in net OPEB obligation	11,562,851	(73,360)
Net OPEB obligation, beginning of year	8,811,258	331,455
Net OPEB obligation, end of year	$20,374,109	$258,095

11. Postemployment Benefit Plans Other than Pensions (OPEB) (continued)

The Hospital's annual OPEB cost, the percentage of annual cost contributed to the plan and the net OPEB obligation for 2009 and 2008 were as follows:

Plan name	Year ended	Annual OPEB cost	% of OPEB cost contributed	Net OPEB cost
Self-Funded/HPN	June 30, 2009	$12,699,871	9.0%	$20,374,258
PEBP plan	June 30, 2009	1,566,623	104.7%	258,095
Self-Funded/HPN	June 30, 2008	9,040,736	2.5%	8,811,258
PEBP plan	June 30, 2008	1,114,548	70.3%	331,455

Funded Status and Funding Progress

The funded status of the plans as of June 30, 2009, was as follows:

	Self-Funded/HPN	PEBP*
Valuation date	July 1, 2008	July 1, 2008
Actuarial accrued liability (a)	$126,689,453	$29,172,098
Actuarial value of plan assets (b)		
Unfunded actuarial accrued liability (funding excess) (a) – (b)	126,689,453	29,172,098
Funded ratio (b) / (a)	0%	0%
Covered payroll (c)	210,113,935	N/A
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll ([(a) – (b)] / (c))	60.3%	N/A

* PEBP is a closed plan; and therefore, there are no current employees covered by the PEBP.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress, presented as required supplementary information, provides multi-year trend information that shows, whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

11. Postemployment Benefit Plans Other Than Pensions (OPEB) (continued)

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plans (the plans as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Hospital and the plan members at that point.

Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions are as follows:

	Self-Funded/HPN	PEBP
Actuarial valuation date	July 1, 2008	July 1, 2008
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar	Level dollar
Remaining amortization period	30 years	30 years
Asset valuation method	No assets in trust	No assets in trust
Actuarial assumptions:		
Investment rate of return	4.0%	4.0%
Projected salary increases	N/A	N/A
Healthcare inflation rate	8% initial 5% ultimate	8% initial 5% ultimate

Internal Service Fund Assets

Clark County utilizes the Other Postemployment Benefit Reserve internal service fund to allocate OPEB costs to each participating fund, including some, but not all, of the County's blended component units, based on employee count. Each participating fund incurs a charge for services from the Other Postemployment Benefit Reserve fund for their portion of the annual OPEB cost. As of June 30, 2009, the Other Postemployment Benefit Reserve fund has $3,520,588 in cash, investments, and interest receivable held on behalf of the Hospital. These assets cannot be included in the plan assets considered in the OPEB funding schedules because they are not held in an irrevocable trust.

12. Uncompensated and Charity Care

Uncompensated Care is defined as write-offs on patient accounts without insurance payment. Charity care is a subset of uncompensated care representing those patients that are approved by the hospital for a discount under its charity policy guidelines. Based on these guidelines, revisions have been made to the 2008 financial data to include uncompensated care, to be comparable with fiscal year 2009 presentation.

The Hospital maintains records to identify and monitor the ability of patients to pay for services rendered. These records are utilized to determine the amount of estimated charges foregone for services and supplies furnished for uncompensated and charity care, the estimated costs of these services and supplies, and equivalent service statistics. The following information estimates the level of uncompensated and charity care provided during the years ended June 30:

	2009	2008
Charges foregone, based on established rates	$ 386,339,629	$ 335,572,879
Costs and expenses incurred to provide uncompensated charity care	119,958,455	100,369,848
Equivalent percentage of cost to provide uncompensated charity care to all patients served	20.3%	17.2%

13. Commitments and Contingencies

Leases

The Hospital has operating leases primarily consisting of real property leases for off-campus outpatient clinic and business office facilities as well as medical and office equipment used in Hospital operations. Certain property leases contain initial and renewal terms providing for predetermined inflation factors for fixed rents. In addition, several property leases require the Hospital to pay other occupancy costs such as common area maintenance and utilities.

13. Commitments and Contingencies (continued)

Subject to the following paragraph, future minimum payments as of June 30, 2009, for operating leases were as follows:

Year ended June 30	Lease Obligation
2010	$ 8,675,722
2011	7,336,770
2012	6,504,277
2013	6,403,419
2014	4,190,114
2015-2019	3,710,364
Total	$ 36,820,666

In the Hospital's lease agreements, there is a "fiscal fund out clause." Under the "fiscal fund out clause," the respective agreement shall terminate and the Hospital's obligations under it shall be extinguished at the end of any of the Hospital's fiscal years in which the Hospital's governing body fails to appropriate monies for the ensuing fiscal year sufficient for the payment of all amounts which could then become due under the agreement. The Hospital agrees that the "fiscal fund out clause" shall not be utilized as a subterfuge or in a discriminatory fashion as it relates to lease agreements. In the event this section is invoked, the lease agreements will expire on June 30 of the then current fiscal year. Termination under this section shall not relieve the Hospital of its obligations incurred through June 30 of the fiscal year for which monies were appropriated.

Total rental expense under all leases was $9,532,576 and $8,798,111 in fiscal 2009 and 2008, respectively.

Litigation

Beginning July 1, 2005, the Hospital contracted with ACS, a consulting company, to provide its revenue cycle functions. In February 2007, the Hospital discontinued the services of ACS and paid them what management considered a fair settlement, including undisputed amounts. ACS returned the check and initiated legal action against the Hospital. The Hospital recorded a liability to ACS for the amount offered in settlement, and management is of the opinion that the outcome of this matter will not have a material adverse effect on the Hospital's future financial statements.

The Hospital does not accrue for estimated future legal and defense costs, if any, to be incurred in connection with outstanding or threatened litigation and other disputed matters but rather, records such as period costs when services are rendered.

University Medical Center of Southern Nevada

Other Postemployment Benefits Required Supplementary Information

Schedule of Funding Progress

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
County Plan	June 30, 2006	$0	$77,742,610	$77,742,610	0.0%	$242,795,912	32.0%
	July 1, 2008	0	126,689,453	126,689,453	0.0%	210,113,935	60.3%
PEBP	June 30, 2006	0	18,531,536	18,531,536	0.0%	242,795,912	7.6%
	July 1, 2008	0	29,172,098	29,172,098	0.0%	N/A*	N/A*

* PEBP is a closed plan; and therefore, there are no current employees covered by the PEBP.

University Medical Center of Southern Nevada

Notes to the Required Supplementary Information

For the Years Ended June 30, 2009 and 2008

1. Basis of Presentation

The June 30, 2006 actuarial valuation was the first valuation of the post employment benefit plan. As additional actuarial valuations are obtained, this schedule will ultimately present information from the three most recent valuations.

For the year ended June 30, 2009, no significant events occurred that would have affected; and therefore, would have changed the benefit provision, size or composition of those covered by the other postemployment benefit plans, or the actuarial methods and assumptions used in the actuarial valuation reports dated June 30, 2006 and July 1, 2008.

The actuarially determined actuarial accrued liability and unfunded actuarial accrued liability involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The estimates are subject to continual revision.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
University Medical Center of Southern Nevada
Las Vegas, Nevada

We have audited the basic financial statements of the University Medical Center of Southern Nevada (the Hospital) as of and for the year ended June 30, 2009, and have issued our report thereon dated December 7, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting. In planning and performing our audit, we considered the Hospital's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Hospital's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States such that there is more than a remote likelihood that a misstatement of the Hospital's basic financial statements that is more than inconsequential will not be prevented or detected by the Hospital's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as items 09-1 and 09-2 to be significant deficiencies in internal control over financial reporting.

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A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the basic financial statements will not be prevented or detected by the Hospital's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are are material weaknesses.

Compliance and other matters. As part of obtaining reasonable assurance about whether the Hospital's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the Hospital in a separate letter dated December 7, 2009.

The Hospital's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Hospital's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Hospital's management, the Board of Trustees, and federal awarding agencies and pass-through entities. However, this report is a matter of public record, and its distribution is not limited.

Pricing Bowler Taylor & Kern

December 7, 2009

09-1

Criteria:	All lease agreements should be reviewed for capital lease requirements and appropriately classified based on review results.
Condition:	Although the Hospital had certain control policies and procedures in effect intended to ensure the proper recording of capital leases, we believe they are ineffective since none of the lease agreements entered into during the period were reviewed to determine if they met the capital lease criteria.
Effect:	Reasonable assurance that all leases were appropriately classified, recorded and disclosed in the financial statements cannot be attained, which could result in undetected financial statement misstatements.
Cause:	Management of the Hospital failed to adopt, maintain and monitor compliance with policies and procedures that require the review of lease agreements to determine if they meet the capital lease criteria.
Recommendation:	Management of the Hospital should adopt policies and procedures that require the review of all leases for appropriate classification and should provide additional monitoring to ensure that all leases are examined for capital lease criteria and that these actions and upper management review of such are appropriately documented.
Management's response:	Management of the Hospital has informed us that it will adopt, maintain and monitor compliance with such policies and procedures.

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Criteria: Posting of transactions, including adjustments, to patient accounts receivable should be restricted to appropriately trained and supervised personnel, with review and approval thereof by an appropriately authorized person independent of the transaction processing function; and any significant adjustments determined through this review process or otherwise should be posted to the books of account. In addition, year-end control procedures should be sufficient to ensure that revenues earned (*e.g.*, for patient services provided prior to year end) are appropriately posted in the year earned.

Condition: The Hospital does not record current period patient charges posted after year end as current period revenue. As long as these late postings are reasonably consistent from year to year, any misstatement of recorded revenue would not be material, as was the case this past year. With regard to individual patient accounts, we recognize the complexities inherent in a process involving thousands of postings each month. We also recognize that some control and operational improvements have occurred in the past year. However, our audit procedures indicated duplicate adjustments resulting in over-debited and over-credited accounts. Therefore, it appears that some of the controls over account postings have been ineffective.

Effect: Reasonable assurance that inappropriate patient transactions and balances, including adjustments, will be prevented or detected timely cannot be readily attained, which could result in undetected financial statement misstatements and possible economic loss to the Hospital.

Cause: Management of the Hospital failed to adopt and monitor compliance with policies and procedures designed to provide reasonable assurance of appropriate posting of transactions, including adjustments, to patient accounts and that revenues earned (*e.g.*, for patient services provided prior to year end) are appropriately posted in the year earned.

Recommendation: Management of the Hospital should adopt and monitor compliance with policies and procedures designed to address these issues.

Management's response: Management of the Hospital has informed us that it will adopt and monitor compliance with such policies and procedures.